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No.

Date DEC 29 1983

Fee \$ 3.000

ICC Washington, D. C.

DEC 30 1983

December 29, 1983
INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION

Western Fuels Association, Inc.

(1) Pledge Agreement Assignment and
Amendment of Security Agreement
Dated as of December 1, 1983
Amending Security Agreement

(2) Amendment Agreement Dated as of December 1, 1983
Amending Equipment Lease and Security Agreement
Filed Under Recordation No. 14090

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Western Fuels Association, Inc., for filing and recordation counterparts of the following documents:

(1) Pledge Agreement Assignment and Amendment of Security Agreement dated as of December 1, 1983, between National Cooperative Services Corporation, as Secured Party, and Knights of Columbus, as Pledgee.

This is a secondary document and relates to the Security Agreement dated as of June 30, 1983, previously filed and recorded with the Interstate Commerce Commission on July 1, 1983, at 12:50 p.m., and on August 10, 1983, at 10:15 a.m., Recordation Number 14090.

This supplementary document acts to amend the Security Agreement to assign the rights of the Secured Party under the Security Agreement to the Pledgee.

(2) Anyt page

See Page 3
for cross indexing
request.

Concluded
H. J. Legel

(2) Amendment Agreement dated as of December 1, 1983, between Steiner Financial Corporation, as Lessor, Western Fuels Association, Inc., as Lessee, and National Cooperative Services Corporation, as Note Purchaser.

This is a secondary document and relates to Equipment Lease dated as of June 30, 1983, previously filed and recorded with the Interstate Commerce Commission on July 1, 1983, at 12:50 p.m., and on August 10, 1983, at 10:15 a.m., Recordation Number 14090, and a Security Agreement dated as of June 30, 1983, previously filed and recorded as above with the Interstate Commerce Commission on July 1, 1983, at 12:50 p.m., and on August 10, 1983, at 10:15 a.m., Recordation Number 14090.

This supplementary document acts to amend the Equipment Lease and the Security Agreement to facilitate the transactions contemplated by the Note Purchase Agreement.

The names and addresses of the parties to the documents are as follows:

1. Pledge Agreement Assignment and Amendment of Security Agreement:

Secured Party: National Cooperative Services Corporation, 1115 30th Street, N.W., Washington, D. C. 20007.

Pledgee: Knights of Columbus, One Columbus Plaza, New Haven, Connecticut 06507.

2. Amendment Agreement:

Lessor: Steiner Financial Corporation, Steuart Street Tower, One Market Plaza, Suite 2400, San Francisco, California 94105.

Lessee: Western Fuels Association, Inc., 700 Jefferson Building, 1225 19th Street, N.W., Washington, D. C. 20036.

Note Purchaser: National Cooperative Services Corporation, 1115 30th Street, N.W., Washington, D. C. 20007.

Please file and record the documents listed above submitted with this letter and assign it Recordation Number 14090.

Cross indexing

Please cross index the Pledge Agreement Assignment and Amendment of Security Agreement and the Amendment Agreement against the Pledgee, Knights of Columbus, One Columbus Plaza, New Haven, Connecticut 06507.

Enclosed is a check for \$30 payable to the Interstate Commerce Commission for the recordation fee for the above-mentioned documents and to cover the requested cross-indexing referred to above.

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instrument and this transmittal letter for your files. It is requested that the remaining counterparts of the documents be delivered to the bearer of this letter.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich
as Agent for Western Fuels
Association, Inc.

Ms. Agatha L. Mergenovich, Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Interstate Commerce Commission
Washington, D.C. 20423

12/30/83

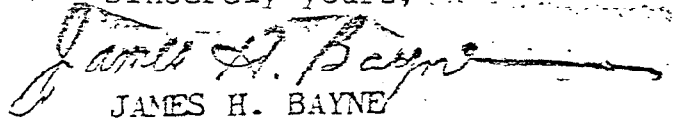
OFFICE OF THE SECRETARY

Laurance V. Goodrich
Cravath , Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **12/30/83** at **11:10am** and assigned re-recording number(s). **14090 D & 14090-E**

Sincerely yours,



JAMES H. BAYNE

Secretary

Enclosure(s)

RECORDATION NO. 14090-A Filed 1425

DEC 30 1983 -11 10 AM

IN THE STATE OF CALIFORNIA
COMMERCE COMMISSION

[CS&M Ref: 5989-001]

PLEDGE AGREEMENT

Assignment and Amendment of Security Agreement

Dated as of December 1, 1983

Between

NATIONAL COOPERATIVE SERVICES CORPORATION,
Pledgor,

and

KNIGHTS OF COLUMBUS,
Pledgee.

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PLEDGE AGREEMENT dated as of December 1, 1983, between NATIONAL COOPERATIVE SERVICES CORPORATION (the "Pledgor") and KNIGHTS OF COLUMBUS (the "Pledgee").

WITNESSETH:

Pursuant to a Purchase Order Assignment dated as of June 30, 1983 (the "Purchase Order Assignment"), between Steiner Financial Corporation ("Steiner") and Western Fuels Association, Inc. (the "Lessee") and certain related bills of sale, Steiner has acquired the units of railroad equipment (the "Units"), as described in the Equipment Lease dated as of June 30, 1983, as amended (the "Lease"), between Steiner and the Lessee.

Pursuant to a Participation Agreement dated as of June 30, 1983, as amended (the "Participation Agreement"), among the Lessee, Steiner, as Borrower, and National Cooperative Services Corporation ("NCSC"), as Note Purchaser, Steiner has issued certain nonrecourse promissory notes (the "Steiner Notes") to NCSC to finance a portion of the purchase price of the Units.

As security for the payment of the Steiner Notes, Steiner has entered into a Security Agreement dated as of June 30, 1983, as amended (the "Security Agreement"), with NCSC, assigning to NCSC Steiner's interest in and to the Units, certain rights in the Coal Purchase Contract (as defined in the Security Agreement) the Lease and the rents and certain of the other sums due and to become due thereunder (subject to the rights of the Lessee under the Lease and Excepted Rights in Collateral as defined in Section 1.6 of the Security Agreement).

The Lessee has consented to the Security Agreement pursuant to an Acknowledgement of Assignment dated as of June 30, 1983.

Pursuant to a Note Purchase Agreement dated the date hereof (the "Note Purchase Agreement") among NCSC, as Borrower, the National Rural Utilities Cooperative Finance Corporation ("CFC"), as Guarantor, and Knights of Columbus, as Note Purchaser, Knights of Columbus will purchase the 13-1/4% Secured Guaranteed Notes due December 1, 2008 (the "Secured Notes"), and the 13-1/4% Unsecured Guaranteed Notes due December 1, 2008 (the "Unsecured Notes"), issued by NCSC. (The Secured Notes and the Unsecured Notes are

sometimes hereinafter collectively called the "Notes".) NCSC will use the proceeds of the sale of the Secured Notes to repay existing indebtedness incurred in connection with its purchase of the Steiner Notes. The proceeds of the sale of the Unsecured Notes will be used by NCSC to finance its purchase of Subordinated Term Certificates from CFC in connection with CFC's guarantee program.

As security for payment of the Secured Notes being issued pursuant to the Note Purchase Agreement, the Pledgor desires to convey, warrant, mortgage, assign, pledge, deposit and grant its interest in the Steiner Notes and the Security Agreement to the Pledgee.

NOW, THEREFORE, in consideration of the premises and agreements hereinafter contained and of the purchases and acceptances of the Secured Notes and for other valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

I. GRANTING CLAUSE

1.1. Granting Clause. As security for the due and punctual payment of the principal of and interest on the Secured Notes and the performance and observance by the Pledgor and the Guarantor of all their respective covenants for the benefit of the Pledgee contained herein and in the Note Purchase Agreement with respect to the Secured Notes, the Pledgor does hereby convey, warrant, mortgage, assign, pledge, deposit and grant a security interest in and confirm unto the Pledgee, and to its successors and assigns, all the Pledgor's right, title and interest in and to (x) the Steiner Notes, including, without limitation, the right to all payments of principal of and interest (except as provided in the succeeding paragraph) on, the Steiner Notes and (y) the Security Agreement and all rights of NCSC as Secured Party thereunder (hereinafter collectively referred to as the "Pledged Collateral").

Excluded from the Pledged Collateral shall be (1) that portion of any payment of interest on the Steiner Notes to the extent any such interest payment exceeds the current installment of interest computed at 13-1/4% per annum on the then outstanding principal amount of the Steiner Notes and (2) all payments of Supplemental Rent (as defined in the Lease).

1.2. Assignment of Steiner Notes. The Steiner Notes shall be duly endorsed by the Pledgor to the Pledgee and delivered to the Pledgee in order to transfer the Steiner Notes to the Pledgee in accordance with the provisions of this Pledge Agreement.

1.3. Parity of Secured Notes. Each and every Secured Note executed and delivered pursuant to the Note Purchase Agreement shall have the same lien; and the principal of and interest on every Secured Note shall, subject to the terms hereof, be equally and proportionately secured hereby, as if it had been made, executed, delivered, sold and negotiated simultaneously with the execution and delivery hereof.

1.4. Release of Security Interests. The Pledgee shall have and hold the Pledged Collateral forever; provided that if and when all the Secured Notes shall have become due and payable (whether by lapse of time or by acceleration or otherwise), the Pledgor shall pay or cause to be paid the full amount due for principal and interest and if the Pledgor shall also pay or cause to be paid all other sums payable to the Pledgee pursuant hereto and pursuant to the Note Purchase Agreement with respect to the Secured Notes and the Pledgor and the Guarantor shall observe, keep and perform all their respective covenants contained for the benefit of the Pledgee herein and in the Note Purchase Agreement with respect to the Secured Notes, then and in that case and upon the written request of the Pledgor this Pledge Agreement and all agreements herein contained and the estate hereby granted and conveyed shall cease and terminate.

II. COVENANTS AND AGREEMENTS BY THE PLEDGOR

2.1. Discharge of Liens. The Pledgor will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Pledgor which, if unpaid, might become a lien, charge or security interest on or with respect to the Pledged Collateral, but the Pledgor shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not adversely affect the security interest of the Pledgee in the Pledged Collateral or otherwise under this Agreement.

2.2. Further Assurances. The Pledgor will, from time to time, do and perform any act and will execute, acknowledge, deliver and file, register and record any and all further instruments reasonably requested by the Pledgee for the purpose of the proper protection of the security interest of the Pledgee in the Pledged Collateral.

2.3. Notice of Default. The Pledgor further covenants and agrees that it will give the Pledgee prompt written notice of any event or condition constituting an event of default under this Agreement or an Event of Default under the Security Agreement or under the Lease of which the Pledgor has actual knowledge.

III. POSSESSION, USE AND RELEASE OF PLEDGED COLLATERAL

3.1. Release After Casualty Occurrence, Exercise of Early Termination Option or Prepayment of Steiner Notes. In the event of a Casualty Occurrence involving one of the Units, as long as no default referred to in Section 14 of the Lease has occurred and is continuing, the Pledgee shall execute a release of its security interest in the Collateral (insofar as it relates to the Units) ~~with respect to~~ upon receipt of all sums payable for such Unit in compliance with Section 11 of the Lease. In the event of the exercise by the Lessee of its early termination option as long as no default referred to in Section 14 of the Lease has occurred and is continuing, the Pledgee will execute a release of its security interest in the Collateral (insofar as it relates to the Units) upon receipt of the sums required to be paid pursuant to Section 18.5 of the Lease and all other indebtedness secured hereby. If the Steiner Notes are prepaid pursuant to Section 5.3(b) of the Security Agreement, the Pledgee will execute a release of its security interest in the Collateral (insofar as it relates to the Units) upon receipt of the proceeds of such prepayment.

involved

3.2. Transfers Prohibited. The Pledgor will not sell, assign or transfer its rights under this Agreement.

IV. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE PLEDGEE

4.1. Application of Rents and Other Payments. Pursuant to this Pledge Agreement the Pledgor has assigned to the Pledgee for security purposes certain rentals, profits and other sums due and to become due under the Lease constituting part of the Pledged Collateral hereunder. So long as no Event of Default as defined in Section 5.1 hereof (or any event which, with the lapse of time or the giving of

notice, or both, would constitute such an Event of Default) has occurred and is continuing, all amounts constituting Pledged Collateral received under the Security Agreement and required to be applied to the payment of the Steiner Notes shall be applied to the payment of the Secured Notes. In order to enable CFC, as Guarantor, to monitor the repayment of the Notes, as provided in the Acknowledgment of Pledge Agreement dated as of the date hereof ("Acknowledgment"), executed by the Lessee, the Pledgee has consented to such amounts received under the Security Agreement as are necessary to make the payments of principal and interest owing on the Secured Notes being paid to CFC, as agent for the Pledgee, by the Lessee for transfer by CFC of such amounts forthwith to the Pledgee. The Pledgee shall have the right to withdraw its consent to such arrangement at any time by providing written notice to such effect to the Pledgor, CFC and the Lessee.

4.2. Default. If an Event of Default as defined in Section 5.1 hereof has occurred and is continuing, all amounts received by the Pledgee referred to in Section 4.1 hereof shall be applied in the manner provided for in Article V in respect of proceeds of the Pledged Collateral. If an event which, with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred, all such amounts shall be held pending application under Article V.

V. EVENTS OF DEFAULT AND REMEDIES

5.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) default in the payment of any installment of the principal of or interest on any of the Secured Notes when the same shall become due and payable, whether at maturity or at a date fixed for payment or prepayment or by acceleration or otherwise, and such default shall continue unremedied for a period of five business days;

(b) an Event of Default (as defined in the Lease) shall occur and be continuing under the Lease, except to the extent the Guarantor shall have cured such Event of Default as provided for in Section 5.02 hereof or except to the extent Steiner shall have cured such Event of Default as provided for in Section 3.3(a) of the Security Agreement;

(c) default on the part of the Pledgor in the due observance or performance of or compliance with any covenant, condition or term contained in this Agreement or the Note Purchase Agreement with respect to the Secured Notes and such default shall continue for 30 days after written notice from the Pledgee to the Pledgor specifying the default and demanding the same be remedied;

(d) any representation or warranty made by or on behalf of the Pledgor herein or in the Note Purchase Agreement or in any report, certificate, financial or other statement furnished in connection with this Pledge Agreement or the Note Purchase Agreement or the transactions contemplated therein or hereby, or made by the Guarantor in the Note Purchase Agreement or any certificate delivered by the Guarantor in connection with the transactions contemplated thereby, shall prove to have been false or misleading in any material respect when made;

(e) an Event of Default (as defined in the Security Agreement) shall occur and be continuing under the Security Agreement;

(f) default on the part of the Guarantor in the due observance or performance of or compliance with any covenant, condition or term contained in the Note Purchase Agreement and such default shall continue for 30 days after written notice from the Pledgee to the Guarantor specifying the default and demanding the same be remedied; or

(g) any proceeding shall be commenced by or against the Pledgor or the Guarantor for any relief which includes or might result in any modification of the obligations of the Pledgor hereunder or under the Note Purchase Agreement or the Secured Notes or of the Guarantor under the Note Purchase Agreement under any bankruptcy or insolvency laws or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all such obligations shall not have been and shall not continue to be duly

assumed in writing within 60 days after such proceedings shall have been commenced pursuant to a court order or decree by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Pledgor or the Guarantor, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers.

5.2 Guarantor's Right to Cure. The Guarantor shall have the right, but not the obligation, to cure an Event of Default under the Lease resulting from the Lessee's failure to make the payments required by Section 2 of the Lease. Such Event of Default under the Lease, which would otherwise be an Event of Default hereunder, shall not be an Event of Default hereunder so long as the Guarantor shall have cured such Event of Default under the Lease.

5.3. Pledgee's Rights. The Pledgor agrees that when any event of default as defined in Section 5.1 has occurred and is continuing, the Pledgee shall have the rights, options, duties and remedies of a secured party, and the Pledgor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the State of Connecticut (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Pledgee may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) the Pledgee may, by notice in writing to the Pledgor, declare the entire unpaid principal balance of all the Secured Notes then outstanding (if not then due and payable), together with all accrued and unpaid interest thereon, to be due and payable immediately, and upon any such declaration such principal balance of the Secured Notes together with said accrued and unpaid interest shall become and be immediately due and payable, anything contained in the Notes or in the Note Purchase Agreement to the contrary notwithstanding;

(b) the Pledgee may, by notice in writing to Steiner and the Pledgor, accelerate the Steiner Notes, if in default, and take any of the actions permitted under the Security Agreement with respect thereto; and

(c) the Pledgee may, by notice in writing to Steiner and the Pledgor, sell the Pledged Collateral.

5.4. Cumulative Remedies. No delay or omission of the Pledgee to exercise any right or power arising from any event of default shall exhaust or impair any such right or power or prevent its exercise during the continuance of such event of default. No waiver by the Pledgee of any such event of default shall extend to or be taken to affect any subsequent event of default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guarantee for the payment of the indebtedness secured under this Pledge Agreement operate to prejudice, waive or affect the security of this Pledge Agreement or any rights, powers or remedies hereunder, nor shall the Pledgee be required to first look to, enforce or exhaust such other or additional security, collateral or guarantees.

5.5. Waiver by Pledgor. To the extent permitted by law, the Pledgor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Pledged Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person acquiring any interest in or title to the Pledged Collateral or any part thereof subsequent to the date of this Pledge Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or

impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.6. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Pledgor, in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Pledgor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Pledgor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

5.7. Application of Funds. The proceeds of any sale made under or by virtue of this Article V, together with any other sums which then may be held by the Pledgee under this Pledge Agreement as part of the Pledged Collateral or the proceeds thereof, whether under the provisions of this Article V or otherwise, shall be applied as follows:

(a) first, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Pledgee, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) second, to the payment to the Pledgee of the amount then owing or unpaid on the Secured Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Secured Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application to be made, first, to the unpaid interest thereon and second, to unpaid principal thereof; such application to be made upon presentation of the Secured Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancelation thereof, if fully paid; and

(c) third, to the payment of the surplus, if any, to the Pledgor, its successors and assigns, or to whosoever may be lawfully entitled to receive the same.

5.8. Discontinuance of Remedies. In case the Pledgee shall have proceeded to enforce any right under this Pledge Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Pledgor and the Pledgee shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Pledge Agreement.

5.9. Rights of Pledgee and Steiner to Enforce Lease. The Pledgee hereby agrees for the benefit of Steiner that the Pledgee will not, so long as no Event of Default hereunder has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which the Pledgee, as an assignee, has under Section 14.2 of the Lease except the right to receive and apply the amounts due the Pledgee as Fixed Rentals under Section 2.1 of the Lease and that, subject to the terms of the Lease and this Pledge Agreement, Steiner may, so long as no Event of Default hereunder has occurred and is then continuing, exercise, or seek to exercise or enforce, or avail itself of, the rights, powers, privileges, and remedies arising out of Section 14.2(a) of the Lease; provided, however, that Steiner may, whether or not an Event of Default hereunder has occurred and is then continuing, exercise or enforce, or seek to exercise and enforce, or avail itself of, the rights, powers, privileges and remedies arising out of Section 14.2(a) of the Lease in respect of any claim against the Lessee which does not (a) adversely impact on any action then being taken against the Lessee by the Pledgee or (b) adversely affect the Pledgee's rights hereunder; provided further, however, that Steiner shall not, without the prior written consent of the Pledgee, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of Section 14.2(b) of the Lease or take any action which would cause any termination of the Lease.

VI. REGISTRATION: SUBSTITUTION OF SECURED NOTES

6.1. Registration of Secured Notes. The Pledgor shall cause to be kept at its office listed in Section 7.7 a register for the registration and transfer of the Secured Notes. The names and addresses of the holders of Secured Notes, the transfer thereof and the names and addresses of the transferees of the Secured Notes shall be registered in the register. The person in whose name any Secured Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Pledge Agreement, and the Pledgor shall not be affected by any notice or knowledge to the contrary.

6.2. Exchange of Secured Notes. Upon surrender of any Secured Note at the office of the Pledgor listed in Section 7.7, the Pledgor, at the request of the holder thereof, will execute and deliver, at the Pledgor's expense (except as provided below), a reasonable number of new Secured Notes in exchange therefor in an aggregate principal amount equal to the unpaid principal amount of the surrendered Secured Note. Each such new Secured Note shall be payable to such person as such holder may request and shall be substantially in the form of the Secured Note set forth in Annex III to the Note Purchase Agreement. To the extent new Secured Notes are made payable to such persons as such holder may request, said holder shall also surrender its Unsecured Note(s) at the office of the Pledgor for the Pledgor to execute and deliver, at the Pledgor's expense (except as provided below), new Unsecured Notes in exchange therefor made payable to each such person, which shall be equal in amount to 10% of each new Secured Note issued to each such person in an aggregate principal amount equal to the unpaid principal amount of the surrendered Unsecured Notes(s). Each such new Unsecured Note shall be substantially in the form of the Unsecured Note set forth in Annex IV to the Note Purchase Agreement. Each such new Secured Note and Unsecured Note shall be dated and bear interest from the date to which interest has been paid on the surrendered Secured Note and Unsecured Note or dated the date of the surrendered Secured Note and Unsecured Note if no interest has been paid thereon. The Pledgor may require payment by the transferor of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any transfer.

6.3. Replacement of Secured Notes. Upon receipt by the Pledgor of evidence reasonably satisfactory to it of

the ownership of and the loss, theft, destruction or mutilation of any Secured Note and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of the Secured Note is an insurance company with admitted assets of at least \$100,000,000, its own agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancelation thereof,

the Pledgor at its expense will execute and deliver in lieu thereof a new Secured Note of like tenor, dated and bearing interest from the date to which interest has been paid on such lost, stolen, destroyed or mutilated Secured Note or dated the date of such lost, stolen, destroyed or mutilated Secured Note if no interest has been paid thereon.

VII. MISCELLANEOUS

7.1. Filing. The Pledgor will cause this Pledge Agreement and the Amendment Agreement (substantially in the form set forth in Annex VIII to the Note Purchase Agreement) to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 as soon as is practicable after the execution of such agreements. The Pledgor will from time to time do and perform any other act and will execute, acknowledge, deliver and file (and will refile whenever required), any and all further instruments required by law or reasonably requested by the Pledgee for the purpose of proper protection, to its satisfaction, of its security interest in the Units and rights under this Pledge Agreement, or for the purpose of carrying out the intention of this Pledge Agreement, the Amendment Agreement, the Security Agreement and the Lease. The Pledgor will promptly furnish to the Pledgee certificates or other evidence satisfactory to the Pledgee of all such filings and an opinion or opinions of counsel, satisfactory to the Pledgee, with respect thereto.

7.2. Governing Law. This Pledge Agreement shall be governed by, and shall be construed in accordance with, the laws of the District of Columbia.

7.3. Severability of Invalid Provisions. Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such juris-

diction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.4. Counterpart Execution. This instrument and any amendment or supplement to this instrument may be executed in any number of counterparts and by the different parties hereto and thereto on separate counterparts, each of which, when so executed, shall be an original, but all such counterparts shall together constitute but one and the same instrument. Fully executed sets of counterparts shall be delivered to, and retained by, the Pledgor and the Pledgee.

7.5. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when received, if by the United States mail, registered, postage prepaid, addressed as follows:

(a) if to the Pledgor: National Cooperative
Services Corporation
1115 30th Street, N.W.
Washington, D.C. 20007
Attention of Vice President;

with a copy thereof to the Guarantor:

National Rural Utilities
Cooperative Finance
Corporation
1115 30th Street, N.W.
Washington, D.C. 20007
Attention of the Governor;

(b) if to the Pledgee: Knights of Columbus
One Columbus Plaza
New Haven, Connecticut
06507
Attention of Investment
Department;

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other party.

7.6. Amendments. This Pledge Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments, in writing, executed by the parties hereto.

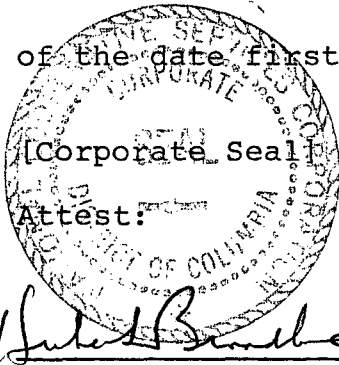
7.7. Release. The Pledgee shall, upon request of the Pledgor, release this Pledge Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

7.8. Successors and Assigns. This Pledge Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto. In the event that the Pledgee shall transfer all the outstanding Secured Notes to another person, the Pledgee may assign, convey or transfer all its right, title and interest under this Pledge Agreement to such person, and such person shall be deemed to be the "Pledgee" under this Pledge Agreement.

7.9. Headings. The Table of Contents and any headings or captions preceding the text of the several Sections hereof are intended solely for convenience of reference and shall not constitute a part of this Pledge Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Pledgor and the Pledgee have each caused this instrument to be duly executed by their respective officers thereunto duly authorized, all as

of the date first set forth above.



NATIONAL COOPERATIVE
SERVICES CORPORATION,

by Martin R. Cronson
Title: Vice President
Asst. Secretary

[Corporate Seal]

Attest:

Howard E. Murphy
~~Assistant~~ Supreme
Secretary

KNIGHTS OF COLUMBUS,

by Virgil B. Dehorst
Title: Supreme Knight

IN WITNESS WHEREOF, Steiner and the Lessee have
hereby agreed and consented to this Pledge Agreement and
each has caused this instrument to be duly executed by its
respective officer thereunto duly authorized, all as of the
date first set forth above.

[Corporate Seal]

Attest:

STEINER FINANCIAL CORPORATION,

by [Signature]
Title: Vice President

[Corporate Seal]

Attest:

Katherine A. Holman

WESTERN FUELS ASSOCIATION, INC.

by [Signature]
Title: Gen. Mgr.

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 29th day of December 1983, before me personally appeared Martin R. Crowson, to me personally known, who, being by me duly sworn, says that he is an Assistant Secretary of NATIONAL COOPERATIVE SERVICES CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Cooperative, that said instrument was signed and sealed on behalf of said Cooperative by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Cooperative.

Caryn W. Sherman
Notary Public

[Notarial Seal]

My Commission expires

CARYN W. SHERMAN
NOTARY PUBLIC, State of New York
No. 31-4633991
Qualified in New York County
Commission Expires March 30, 1984

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF NEW HAVEN,)

On this 29 day of December 1983, before me personally appeared Virgil C. Dechant, to me personally known, who, being by me duly sworn, says that he is the Supreme Knight of KNIGHTS OF COLUMBUS, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Virgil C. Dechant
Notary Public

[Notarial Seal]

My Commission expires

My Commission Expires Mar. 31, 1988

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 29th day of December 1983, before me personally appeared David H. Stanley, to me personally known, who, being by me duly sworn, says that he is Vice President and General Counsel of STEINER FINANCIAL CORPORATION, ~~that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation,~~ that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Caryn W. Sherman
Notary Public

[Notarial Seal]

CARYN W. SHERMAN
NOTARY PUBLIC, State of New York
No. 31-4633991
Qualified in New York County
Commission Expires March 30, 1984

My Commission expires

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 29th day of December 1983, before me personally appeared ~~Robert H. Molyard~~ ^{General}, to me personally known, who, being by me duly sworn, says that he is the ~~Manager of Finance and Administration~~ of WESTERN FUELS ASSOCIATION, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Caryn W. Sherman
Notary Public

[Notarial Seal]

CARYN W. SHERMAN
NOTARY PUBLIC, State of New York
No. 31-4633991
Qualified in New York County
Commission Expires March 30, 1984

My Commission expires